
FINANCE

Mission:

To protect the City's assets, efficiently process and record financial transactions, enhance fiscal integrity, provide timely, accurate and comprehensive financial reporting and analysis and to professionally and prudently enhance the City's financial position.

PROGRAM DESCRIPTION

Office of the Director**\$431,422****4 FTEs**

The Office of the Director is the primary advisor to the City Manager, City Council and departments in the areas of financial planning, investments, debt management, financial reporting, purchasing, collections, risk control, and risk financing. The office also provides leadership in the development and implementation of citywide financial policies.

Accounting Services**\$1,000,285****16 FTEs**

This program provides two primary functions: accounting operations and financial reporting. The accounting operations function is responsible for accounts payable, accounts receivable, payroll administration and maintenance of the City's financial information system. The financial reporting function is responsible for preparing the annual audited financial report, coordinating the annual audit conducted by external certified public accountants, preparing monthly financial statements and preparing special reports and analysis.

Financial Compliance**\$60,664****1 FTE**

This program ensures that contracts and change orders are properly executed in accordance with State Statutes and City codes. This program was also intended to provide financial review of grants received by the City and loans made by the City to identify compliance issues and assist in the fulfillment of financial requirements. These functions have been absorbed by Accounting Services.

Purchasing**\$565,689****11 FTEs**

The Purchasing division prepares bid specifications and solicits bids for supplies, services and equipment for all city departments. All bid solicitation and awards are done in compliance with the state statutes and the City's Small and Disadvantaged Business Enterprise Ordinance. Also included in this program is the management of the City's telephone services and the sale or transfer of surplus equipment and material. The City Print Shop also reports under this division. The Print Shop provides duplicating, printing and mail services for the City.

Risk Management**\$953,475****10 FTEs**

This program protects the City's assets from loss through the identification, control and financing of various operational and professional lines of risks. This is carried out by a risk control and risk financing function. Risk control encompasses employee health services, safety and loss prevention and claims administration. Risk financing includes purchase of insurance (with the exception of health), self insurance and review of contracts for transfer of the City's risk.

Treasury**\$1,978,931****17 FTEs**

The Treasury division includes cash, portfolio, debt management and banking services. The cash management program is responsible for forecasting, collecting all revenues due to the City and monitoring the tax collection contract. This program also issues business licenses for the City. Portfolio management includes investing the City's idle funds and also monitoring contracts with external money managers. The debt management program includes approval and issuance of all the City's debt instruments. Banking services for the City are also coordinated through this division. Some of these activities are funded through the Water and Sewer Fund. Employees in the delinquent accounts unit are responsible for collecting past due bills owed to the City.

Enterprise Resources Planning (ERP)**\$916,763****5 FTEs**

Implementation of the ERP system is currently scheduled to be completed by October of 2006. The ERP Project will be the Finance Department's primary focus for next fiscal year and it will provide the basis for process improvements and efficiency measures for all finance, human resources and billing operations currently performed by the City.

RESOURCE ALLOCATION

	Actual FY 2003-04	Adopted FY2004-05	Estimated FY2004-05	Adopted FY2005-06	Change
Appropriations					
Personal Services	\$ 3,959,665	\$ 3,624,040	\$ 3,596,368	\$ 3,845,118	6.10%
Operating	2,098,547	2,060,486	1,676,025	2,062,111	0.08%
Debt Service	-	385,000	-	-	-100.00%
Capital	26,739	8,000	140,000	-	-100.00%
Total Appropriations	\$ 6,084,951	\$ 6,077,526	\$ 5,412,393	\$ 5,907,229	-2.80%
Full Time Equivalents	86	63	63	64	1
Revenues					
General Fund					
Discretionary	\$ 4,303,223	\$ 5,576,171	\$ 4,907,927	\$ 5,403,264	-3.10%
Program	257,030	257,030	257,030	257,030	0.00%
General Fund	\$ 4,560,253	\$ 5,833,201	\$ 5,164,957	\$ 5,660,294	-2.96%
Water & Sewer Fund	1,524,698	244,325	247,436	246,935	1.07%
Solid Waste Disposal Fund	-	-	-	-	-
Total Revenues	\$ 6,084,951	\$ 6,077,526	\$ 5,412,393	\$ 5,907,229	-2.80%

BUDGET ISSUES FOR FY 2005-06

- The implementation of the Enterprise Resource Planning System includes five full-time personnel. In addition, a significant amount of existing staff time will be dedicated to the implementation effort. At its peak, the project will be using as much as 20 FTEs from existing personnel in the Finance, Technology Solutions and Human Resources departments. This dedication of labor will require strategic backfilling of some positions in order to avoid disruptions in normal workflow. A considerable amount of effort will be spent in adopting best practices and managing the organizational change process.
- The Accounting, Treasury and Purchasing divisions will be actively working on implementation tasks for ERP throughout the year. Finance will take a lead role, along with Human Resources and Technology Solutions, to manage the project and provide subject matter experts to define business rules in the new system.
- The creation of the new Water Management (WM) Department and the transition of the Customer and Billing Division into WM have left a gap in the City's administration of non-water and sewer billing.
- Several functional areas are minimally staffed and can not absorb prolonged employee absences without reductions in the level of service. In addition, the continued reductions in operating accounts will make year end shortages unavoidable.
- The use of the State's Debt Set-Off Program has significantly increased collections on previously inactive delinquent accounts. Durham is consistently one of the top two cities in collections through the debt set-off program. Expansion of the debt set-off program and dedicated staff will provide an even greater level of collection.
- Improvement in the City's purchasing and contracting procedures recommended by the Purchasing and Contracting reengineering team will require additional staffing. Purchasing improvements will be made in conjunction with the ERP project implementation.
- Controlling losses caused by preventable accidents will continue to be a major focus and priority of Risk Management. Coordination of departmental safety efforts with Risk Management's centralized safety systems will be a major challenge.

UNFUNDED OR UNDERFUNDED ITEMS

• Bloomberg Market Information Service	\$11,000
• Third Party Investment Analyst	\$30,000
• Print Shop Supervisor	\$58,000
• Compliance Division	\$120,000
• Business License – Revenue Agent	\$43,410
• Travel & Training	\$19,000

COMPLETED INITIATIVES FOR FY 2004-05

- Reaffirmed AAA bond ratings from Standard & Poor's and Fitch IBCA and Aaa from Moody's.
- Initiated pre-implementation tasks for ERP Project including coordination of RFP process.
- Continued working with departments to reinforce financial controls.
- Received the 19th consecutive Certificate of Achievement for Excellence in Financial Reporting for the City's comprehensive annual financial report.
- Executed a Synthetic Fixed Rate Refunding projected to save \$8 million in debt service costs over the next 15 years.
- Achieved a Debt Derivative Profile score of 1 (ratings range from 1-lowest risk to 5-highest risk) for the City's first swap transaction.
- Adopted a Swap Policy governing the City's use of derivative debt instruments.
- Provided financial analysis on major economic development projects including the Liggett & Meyers project and the Downtown Theater.
- Closed a \$36 million multi-purpose COPs issue and refunding.
- Issued second Citizens Financial Report for mass distribution and submitted report to GFOA for Popular Financial Report Award consideration.
- Reduced delinquent assessments from \$2.2 million to \$761,000.
- Provided training sessions for cash handling, professional services contracting and purchasing.
- Participated in State Debt Set-Off Program resulting in the recovery of more than \$100,000 in delinquent payments.

DEPARTMENT INITIATIVES FOR FY 2005-06

- Implement the ERP System.
- Adopt "best practices" as a part of ERP implementation.
- Review and update city financial and Human Resources policies in conjunction with ERP implementation.
- Maintain City's credit ratings.
- Complete a two-thirds debt issue.
- Prepare for potential General Obligation Bond Referendum.
- Complete implementation of GASB 34.

GOALS, OBJECTIVES & STRATEGIES FOR FY 2005-06

GOAL: *To strengthen financial accountability throughout the organization.*

OBJECTIVE: To provide timely and accurate reports to the City Manager and the City Council to support decision making and to disclose significant issues affecting the City's current and future financial position

STRATEGY: Provide quarterly and annual financial reports to the City Manager and Council on a timely basis.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
% of reports issued on schedule	85%	90%	100%	100%

GOAL: To make financial information available to decision makers in a timely fashion and to accurately process and record transactions.

OBJECTIVE: To provide timely and accurate financial information by the end of every month.

STRATEGY: Close each accounting period according to the established schedule.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
# of accounting periods closed on time	12	12	12	12

OBJECTIVE: To issue a Comprehensive Annual Financial Report that is in compliance with all statutory and GASB requirements and provides useful discussion and comments concerning the City's financial condition and to provide a Citizen's Financial Report.

STRATEGY: Issue a Comprehensive Annual Financial Report that qualifies for the GFOA's Certificate of Excellence in Financial Reporting.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
Certificate awarded	1	1	1	1

OBJECTIVE: To publish a Popular Financial Report for public distribution that provides summary financial information in a format that is easy to read and informative.

STRATEGY: Condense the financial highlights of the CAFR, publish a report that meets the GFOA standards and receive the Popular Report Award.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
Popular Report Award	N/A	0	1	1

GOAL: To collect delinquent payments.

OBJECTIVE: To reduce valid delinquent receivables by 10%.

STRATEGY: Utilize the State Debt Set-Off Program to collect problem accounts.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
Recoveries from debt set-off	N/A	\$50,000	\$105,000	\$120,000

GOAL: To purchase needed commodities and services in compliance with all applicable requirements in a timely manner and at the best possible price, and to provide duplication, reproduction and printing services.

OBJECTIVE: To maintain an average purchasing cycle time for routine purchases of 3 days.

STRATEGY: Develop a more efficient process for the City's purchasing and payment process.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
Average cycle time for routine purchases	4	4	4	3

GOAL: *To improve the operational and financial results of the Risk Management System.*

OBJECTIVE: To reduce the number of and dollar amount of claims against the City by 10%.

STRATEGY: Implement the strategies identified in the October 1998 and May 2001 City Council agenda, including a greater emphasis on safety programs throughout the City, and provide timely accident information to departments.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
# of claims open	333	360	350	340
\$ of claims open	\$3,357,040	\$3,470,000	\$3,500,000	\$3,800,000

GOAL: *To provide cost effective liquidity management to the City.*

OBJECTIVE: To maintain the highest credit ratings.

STRATEGY: Present information to the rating agencies that illustrates the City's financial, administrative and economics strengths.

MEASURE:	Actual FY 2004	Adopted FY 2005	Estimated FY 2005	Adopted FY 2006
Credit rating issued by S&P	AAA	AAA	AAA	AAA
Credit rating issued by Fitch	AAA	AAA	AAA	AAA
Credit rating issued by Moody's	Aaa	Aaa	Aaa	Aaa